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IN THE

Supreme Court of the United States

OCTOBER TERM, 1951

EDWARD P. SCHREYER AND RIVAL MANUFACTURING COMPANY,
Petitioners,

vs.

CASCO PRODUCTS CORPORATION,
Respondent,

No.

RESPONDENT'S BRIEF IN OPPOSITION TO PETITION FOR WRIT OF CERTIORARI

Opinions Below and Questions Presented

The case is an ordinary one of where a patentee and his licensee endeavor to prevent competition, by a suit for an injunction against manufacture and sale of an article, in this case, an electric steam iron for household use, and for damages. The basis claimed for injunction and damages were alleged patent infringement and misuse of confidential information.

The courts below decided that petitioners were entitled to damages because of unfair competition and refused an injunction, 97 F. Supp. 159, and 190 F. 2d 921. The Court of Appeals said, in affirming the district court, "we feel sure

that damages will afford a complete and adequate remedy for any wrong suffered because of unfair competition and therefore find no error in the denial of an injunction" (R. 1034, 1035). A petition for rehearing was denied without opinion (R. 1052). The petition here asks this Court to review the facts in this particular case in which the two courts below found that damages were adequate and that the extraordinary equitable, and discretionary, remedy of injunction should not be granted.

The Court of Appeals also decided, in this respect reversing the district court, that the patent in suit, Schreyer 2,475,572, was invalid for lack of patentable invention, citing *Cuno Engineering* v. *Automatic Devices*, 314 U. S. 84; *Great A. & P. Tea Co.* v. *Supermarket Equipment*, 340 U. S. 147 and other cases (R. 1033). The petition here asks this Court to review that decision for the purpose of setting it aside. The decision was right and should not be disturbed.

Magnum Import Co. v. *Coty*, 262 U. S. 159, 163.

> "The jurisidiction to bring up cases by certiorari from the circuit courts of appeals was given for two purposes; first, to secure uniformity of decision between those courts in the nine circuits; and, second, to bring up cases involving questions of importance which it is in the public interest to have decided by this court of last resort. The jurisdiction was not conferred upon this court merely to give the defeated party in the Circuit Court of Appeals another hearing."

STATEMENT

Petitioner Schreyer is the patentee and owner of the Schreyer patent, and petitioner Rival Manufacturing Company is an exclusive licensee under the patent. Originally, irons were heated by direct exposure to heat, and later, the irons had containers for heated charcoal or metal. Still later, a metal coil or wire in the iron was heated by current from an electric circuit. The iron often contained water which would steam when heated. The prior patents of Slonaker, 1,683,145 (R. 909) and Izumiza 1,830,875 (R. 913) are some of the many early electric steam iron patents. There is no new idea or principle of operation in the Schreyer patent,—it is merely an aggregation of old and unpatentable details such as hinged handles, safety plugs, latches, etc., as appears from the opinions of both courts below.

In January, 1948, Schreyer filed the application for the patent in suit, and also commenced to sell the iron of the patent, through the Waverly Products Company, which Schreyer and his brother owned (R. 164, 173). It is important to observe that the iron thus publicly and widely sold was the exact iron of the patent (district court opinion, R. 48), because, although the patent application was not then available to the public, the iron described in it was a matter of common knowledge, so that anyone could make it, subject only to possible patent claims.

The manufacture of the Waverly iron consisted of Waverly buying almost all the separate parts of the iron from manufacturers of such parts, and then assembling them into the finished article (R. 543, 584).

In April 1948, Schreyer's brother approached respondent Casco with a proposition that Casco buy Waverly and acquire the right to manufacture and sell the Schreyer iron (also referred to as Waverly iron and Steam-O-Matic) (finding of fact Nos. 9, 10, R. 58). Casco was a long-time and successful manufacturer of automobile accessories and household appliances such as cigar lighters, windshield heaters, fender guides, electric pads, tool kits, etc. (R. 194-5). Cone, Casco's president, was interested in the Schreyer iron proposition, because Casco was then expanding its home appliance division and had done work on an iron which had been interrupted by World War II (R. 195-97). Together with associates, Cone visited the Waverly assembly plant and also that of an Ohio supplier of dies for Waverly, seeing some machines which could be used in the manufacture of various articles and some that could be used only in the manufacture of the Schreyer iron.

The negotiations then continued until it was discovered that Schreyer had grossly misrepresented to Casco the amount of Waverly liabilities. The district court's opinion states:

> "The Schreyers in the initial phases of the negotiations had represented the financial condition of Waverly to be hopeful although it was temporarily short of cash. More and more liabilities of Waverly were revealed during the course of the conferences and it finally became apparent to Casco by early June that Waverly was in hopeless condition with liabilities of more than half a million dollars, exclusive of debts owed by the company to the Schreyer brothers. The negotiations terminated on June 6 without the formation of a license agreement" (R. 49).

Thereafter, following the termination of negotiations, Casco commenced to design an electric steam iron which was different in every part from the Schreyer iron. Some of these differences are stated in the district court's opinion (R. 46). None of the Waverly (Schreyer) manufacturing data, including blueprints, blanks (unfinished parts), and machines designed for Schreyer irons could have been, or were, used for the Casco iron which had its own and different blueprints, blanks and machines. And, although Schreyer informed Casco concerning how much it cost Waverly to make the Schreyer iron, this did not help Casco much, if any, in making the Casco iron because the Casco parts were different from the Waverly parts, Waverly bought most of its parts while Casco manufactured most of the Casco parts, and the manufacture was carried on by Waverly in Sandusky, Ohio and by Casco in Bridgeport, Connecticut.

It cost Casco over $500,000 to design its own iron (R. 829). It was not until September, 1949 (R. 586, 756), over a year after the negotiations terminated in June, 1948, that the Casco iron was first sold.

However, the trial court concluded that, although the Casco iron was different from the Schreyer iron except as to certain ideas in the Schreyer patent and, of course, also in the Schreyer iron, Casco received from Schreyer, while the latter was trying to sell Waverly to Casco, information helpful to Casco, saying "The essential ideas were taken from Schreyer or Waverly by Casco and used in the development of its own iron" (finding of fact 30, R. 61). There was no dispute that, as the trial court also found, "Casco could have lifted the ideas from the patent and from commercial models on sale" (finding of fact, 31, R. 61).

Respondent thought, and still thinks, that Casco did not receive any useful information concerning the Waverly iron, but the district court found otherwise, the Court of Appeals affirmed, and that question is not presented by the petition for certiorari. However, it is plain from the undisputed facts, as found by the trial court, that petitioners' case for unfair competition was close and doubtful.

The trial court, affirmed unanimously by the Court of Appeals, gave to petitioners an accounting for all damages because of Casco's use of confidential information disclosed by Schreyer. So, petitioners now can go before the Master who has been appointed by the district court, and the entire matter of the Schreyer disclosure and the Casco use be thoroughly investigated, and the damages, if any, ascertained.

1. The refusal of an injunction was right.

What petitioners here complain of is that the courts below decided, upon the facts in this case, that the extraordinary equitable remedy of injunction should not be granted.

Truly v. *Wanzer*, 5 How., 140, 142; 16 U. S. 339, 341;

> "There is no power, the exercise of which is more delicate, which requires greater caution, deliberation, and sound discretion, or more dangerous in a doubtful case, than the issuing an injunction. It is the strong arm of equity, that never ought to be extended, unless to cases of great injury, where courts of law cannot afford an adequate and commensurate remedy in damages."

Consolidated Canal Co. v. *Mesa Canal Co.*, 177 U. S. 296, 302;

> "It is familiar law that injunction will not issue to enforce a right that is doubtful,".

Harrisonville v. *Dickey Clay*, 289 U. S. 334, 338.

> "Where substantial redress can be afforded by the payment of money and issuance of an injunction would subject the defendant to grossly disproportionate hardship, equitable relief may be denied although the nuisance is indisputable. This is true even if the conflict is between interests which are primarily private".

In the present case, there is grave doubt as to whether respondent Casco misused any information obtained by or from Schreyer. The district court, in the exercise of its plain discretion, refused to grant the extraordinary equitable remedy of injunction and instead remitted petitioners to their proofs as to damages, the Court of Appeals affirming.

The petition here says (pp. 10-13) that there is a conflict of law between *Conmar Products* v. *Universal Slide Fastener*, 2 Cir. 172 F. 2d 150, and, on the other hand, *Shellmar Products* v. *Allen-Qualley*, 7 Cir., 87 F. 2d 104, and *A. O. Smith* v. *Petroleum Iron Works*, 6 Cir., 73 F. 2d 531, which should be resolved, because in the present case the courts below relied upon the *Conmar* opinion.

The present case, however, does not raise the question of whether or not there is a conflict between the Second Circuit and the Sixth and Seventh Circuits. That question would be presented only if, on the one hand, the *Conmar* case were necessary to the decision of the court below and, on the other hand, the *Shellmar* and *Smith* cases were serviceable precedents for the petitioners.

The court below in the exercise of its discretion refused an injunction in the present case because it was "sure damages will afford a complete and adequate remedy" (R. 1034). Thus, although we believe *Conmar* was right, and pertinent here, as a decision denying an injunction against use of confidential information after a patent issued containing such information, leaving the informer to his patent rights, and that the other decisions were wrong, yet even if the *Conmar* case was wrong, the refusal of an injunction here, because an adequate remedy was available, was correct. In the *Conmar, Shellmar* and *Smith* cases, the information disclosed was not known to the public but was contained only in secret patent applications. In the present case, the information was, as the trial court found, in "commercial models on sale" (R. 61). And it should be noted that the "confidential" relationship here cannot, in the light of Schreyer's deception with respect to the liabilities of Waverly, be described as one which the petitioners greatly respected.

The cited decisions of the Sixth and Seventh Circuits are of no avail to petitioners for a further reason. In both the *Shellmar* case (cited by petitioners, P. 13) and the *Smith* case (not cited), the courts were directly concerned only with misuse of confidential information which subsequently was embodied in patent disclosures as yet untested. The courts there granted the continuing injunctions on the ground that the offending party should not be permitted to place upon the patentee the further burden of suing the wrong-doer again for patent infringement relative to the same information. *A. O. Smith Corp.* v. *Petroleum Iron Works Co.*, 6 Cir., 74 F. 2d 935, states:

> "plaintiff ought not to have the burden of suing for patent infringement when its proprietary rights in

> the processes have already been adjudicated as against the defendant."

In the present case all of petitioners' rights as to the patent as well as to the confidential information embodied in the patent have been submitted by them and are capable of final determination in this one action. Therefore, the burden of future litigation relative to the patent right, which motivated the *Shellmar* and *Smith* courts, is not present in the instant case. Thus, if there be a conflict between circuits, as asserted by petitioners, resolution thereof will not decide the present case.

Finally, it should be noted that this Court has denied certiorari in three decisions of the Second Circuit relying on the principle enunciated in *Conmar: Pennington Engineering Co.* v. *Houde,* 136 F. 2d 210, certiorari denied 320 U. S. 771; *Picard* v. *United Aircraft,* 128 F. 2d 632, certiorari denied 317 U. S. 651; and *American Machine and Metals Co.* v. *De Bothezat Impeller Co.,* 180 F. 2d 342, certiorari denied 339 U. S. 979. The last case arose and was decided since the *Conmar* case..

The petition makes certain statements on page 15, upon which comment may be briefly made.

> "Casco commenced the manufacture of the iron with the full knowledge that it might be confronted with a claim of patent infringement and of unfair competition."

If petitioners mean that it is unlawful to compete because of a possible, or probable, claim of patent infringement or of unfair competition, petitioners are wrong.

> "To avoid the full impact of these claims, Casco attempted to make certain changes in the design of

> the iron which would still give it the advantages of the distinctive features of the Schreyer iron".

The "distinctive features" are those described and claimed in the Schreyer patent. The Casco design changes cost it over half a million dollars. And surely it is not wrong to endeavor to avoid law suits.

> "The immediate decision of Casco to manufacture an iron having the distinctive features of the Schreyer iron necessarily carries the implication that the negotiations were conducted on the part of Casco with the ulterior purpose of putting itself in a position to compete if the negotiations could not be concluded on a basis satisfactory to Casco".

The only purpose of the Casco decision to manufacture its own, and different, iron, was to make money thereby. As for the "negotiations", they were commenced by Schreyer, and were terminated when Casco learned that Schreyer had misrepresented by hundreds of thousands of dollars the value of the property which Schreyer was attempting to sell to Casco.

> "The technical knowledge which Casco obtained from Schreyer was of substantial value in effecting these changes".

That "knowledge" was how to manufacture the Waverly iron, which Casco never did. It took Casco a year, and over half a million dollars to design and produce its own iron. It should be noted in assessing the value of this "technical knowledge" that Schreyer was not and had never been a manufacturer of the iron or any other product.

> "In addition, Casco secured data as to the basic cost of manufacturing the iron and its various parts,

> which enabled it to design methods of manufacture which would give it a competitive advantage".

That "data" was the cost of manufacturing the Waverly iron, and not the different Casco iron. The proceedings before the Master will show, respondent believes, that this data was of little, if any, value to Casco.

> "The Court of Appeals in its opinion recognized the difficulty of proving damages which would form the basis of an adequate recovery".

The Court said "Although the provable damages may present more than the usual difficulty, we feel sure that damages will afford a complete and adequate remedy for any wrong suffered because of unfair competition and further find no error in the denial of an injunction" (R. 1034, 1035).

2. The patent claims were properly held invalid for want of invention.

This is an ordinary patent case, in which there is no conflict of decisions, because the patent has not been litigated elsewhere. And the patent is not even ordinary but subnormal, being merely an aggregation of old ideas, uninventively combined. Both courts below found that every feature in the patent claims was old. The trial court thought that to use the features together was inventive genius, but the Court of Appeals concluded otherwise, saying (R. 1032, 1033):

> "It follows that decision as to validity must turn upon whether the relocation of the old elements, with the added use of the hinged cover as a lever

to put the filler plug into place and as a means to hold it there, amounts to invention. If it does, it must be because of the use to which the hinged cover is put, for all the other features perform in combination as they do in the prior art. But to use a hinged cover plate one had merely to make a selection from among several old types of ironer. With that choice made, to locate the filler opening over the boiler and under the hinged cover plate was but to take advantage of an opportunity which presented itself without requiring inventive powers for its discovery. Then to mount an old combination filler plug and safety valve on this cover plate, so that it was pressed home and held there when the cover plate was lowered and latched in place, was a continuation of the same sort of skill which a good mechanic must have to be good. It was not enough to set him apart from the great number of that type and into the relatively small group of inventors whose genius produces the rare, novel, and useful advances which are patentable. To the extent that this combination is new it does not embody the solution of problems too difficult for any but an inventor to cope with, and the result is a commercial product of the skill of the art, no doubt an improved ironer, but not a patentable combination. *Paramount Industries, Inc.* v. *Solar Products Corp.*, 2 Cir., 186 F. 2d 999; *Cuno Engineering Corp.* v. *Automatic Devices Corp.*, 314 U. S. 84; *Schreyer* v. *Chicago Motocoil Corp., supra; Great A. & P. Tea Co.* v. *Supermarket Equipment Corp.*, 340 U. S. 147; *Addressograph-Multigraph Corp.* v. *Staudt*, 2 Cir., 124 F. 2d 672; *Weidhaas* v. *Loew's Inc.*, 2 Cir., 125 F. 2d 544.

"As we find nothing patentable in the combination disclosed, we make no attempt to distinguish between the claims held valid below, or between any

of them and the one held invalid, but now hold them all invalid for lack of invention."

The decision of the Court of Appeals does not present any unsettled questions of law or any questions of public importance with respect to patents. Under even the lowest standard of patentable invention, the Schreyer patent is plainly invalid.

CONCLUSION

The petition for certiorari should be denied.

Respectfully submitted,

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December, 1951.

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IN THE

Supreme Court of the United States

OCTOBER TERM, 1951.

No. 459

EDWARD P. SCHREYER AND RIVAL MANUFACTURING COMPANY, *Petitioners*,

v.

CASCO PRODUCTS CORPORATION, *Respondent*.

PETITIONERS' REPLY BRIEF.

The Unfair Competition Issue.

Respondent's Brief contains certain statements reflecting on the honesty and good faith of Edward and Milton Schreyer in the negotiations with Respondent, Casco Products Corporation (hereinafter called Casco), which, if supported by the evidence, would necessarily have a serious effect on the right of Petitioners to injunctive relief.

The first is the statement on Page 4 of Respondent's Brief as follows:

> "The negotiations then continued until it was discovered that Schreyer had grossly misrepresented to

Casco the amount of Waverly liabilities. The district court's opinion states:

> 'The Schreyers in the initial phases of the negotiations had represented the financial condition of Waverly to be hopeful although it was temporarily short of cash. More and more liabilities of Waverly were revealed during the course of the conferences and it finally became apparent to Casco by early June that Waverly was in hopeless condition with liabilities of more than half a million dollars, exclusive of debts owed by the company to the Schreyer brothers. The negotiations terminated on June 6 without the formation of a license agreement' (R. 49)."

It is submitted that the opinion of the District Court does not imply any such misrepresentation as is claimed by Respondent.

There is no reference in the Brief to any evidence supporting Respondent's claim and the evidence definitely negates that there was any such misrepresentation.

At the meeting at the Waverly plant at Sandusky, when Mr. Cone and his associates inspected the plant, directions were given by Milton Schreyer to make available to Casco officials the records of Waverly, including a list of creditors and the amount owed (R. 477).

Edward P. McCarthy, and Alexander G. Wels, Assistant Comptroller of Casco, spent two days at the Waverly plant examining the records of the Company (R. 742 and 743).

At the first meeting at Bridgeport between Milton Schreyer and Mr. McCarthy following the inspection of Waverly Mr. McCarthy had a list of the creditors and the amounts owed, and discussed with Mr. Schreyer the large amounts owed by Waverly (R. 480).

The purchase contemplated by Casco was not of Waverly, as stated on Page 4 of Respondent's Brief, but only the machinery, equipment, parts in process and materials for making this particular type of iron,—Waverly at the time being also engaged in the manufacture of the older type of iron.

The question of indebtedness had no bearing on the negotiations except on the question of giving a good title to the property which was the subject of the proposed purchase,—a question which never arose because no definite offer of purchase was made.

How lacking in substance is this claim of misrepresentation made by the Respondent is evidenced by the testimony of Mr. McCarthy:

> "Q. And before any substantial amounts are paid out by the Casco Products Company for any new enterprise, is it your duty to investigate their financial standing, or the person with whom you are dealing, as part of your duty to look into the matter? A. If you are referring to this particular transaction, this was not—it was a case of the Waverly Products was a vendor, and they were going to sell us certain inventory, and if they had delivered that—we would not check into the financial position of a vendor because we would have the material and pay it. I would approve the purchase of it. But it wasn't a case of whether they were financial—if they were delivering material to us." (R. 721-722)

On Page 10 of Respondent's Brief is the following statement:

> "The only purpose of the Casco decision to manufacture its own, and different, iron, was to make money thereby. As for the 'negotiations', they were commenced by Schreyer, and were terminated when Casco learned that Schreyer had misrepresented by hundreds of thousands of dollars the value of the property which Schreyer was attempting to sell to Casco."

There is in the entire Record no evidence of any such misrepresentation as claimed by Respondent. The only representation which was in any way related to the value of the property was its cost to Waverly, which appeared in the Cost Records of Waverly made available to Casco,—the correctness of which was not questioned.

The statement in Respondent's Brief also carries the implication that the negotiations were terminated by Casco because of the alleged misrepresentations.

Mr. Cone, Mr. McCarthy and Lawrence E. Fenn, a Vice-President of Casco, all testified that the negotiations were terminated by the Schreyers at the meeting on June 5, 1948 (R. 650, 723, 787).

The only conflict in the evidence as to the termination of negotiations was that Edward and Milton Schreyer testified that the reason given for the termination of the negotiations was that the offer made in the form of the draft agreement (Ex 47, R. 880) would not be fair to the creditors of Waverly while certain of the witnesses for Casco controverted this testimony.

On Page 5 of Respondent's Brief the following statement is made:

> "Thereafter, following the termination of negotiations, Casco commenced to design an electric steam iron which was different in every part from the Schreyer iron."

The opinion of Judge Smith in the District Court in the part relating to the patent issue stated (R. 45):

> "With one exception the differences between the Schreyer steam iron and the accused Casco iron are so slight and insubstantial as to call for a finding of infringement, even when the claims of the patent are strictly construed and the doctrine of equivalents is sparingly applied."

On Page 9 of its Brief Respondent mentions three decisions of the Second Circuit in which this Court has denied certiorari. Not one of the petitions in the cited cases raised the question of injunctive relief presented here, and not one of those petitions was predicated upon the conflict between the decisions of the Court of Appeals for the Second Circuit and the decisions of the

Sixth and Seventh Circuits as set forth at Pages 10 to 16 of the petition filed in this case.

The Patent Issue.

Respondent's Brief does not question that the sole issue is the proper application of the law to the unchallenged facts of the case which are briefly summarized as follows:

1. That Schreyer solved a recognized problem which had baffled the contemporary art, and more particularly:
   (a) The experts in the art had made persistent but futile efforts for ten (10) years to overcome the serious defects of the prior art (Pet. 16).
   (b) Seven (7) of these efforts are in evidence and all of them were failures (Pet. 16).
2. That Schreyer, an expert in the art, had worked more than four (4) years and expended more than $80,000 of his own funds in experimental and development work before he had achieved the invention of the patent in suit (Pet. 8, 16).
3. That the invention completely solved and constituted the first solution of the problems with which the art had struggled in vain (Pet. 8, 19).
4. That the invention of the patent in suit met with immediate and impressive trade acceptance (Pet. 9).
5. That all manufacturers other than the respondent respected the patent in suit (Pet. 9).

The petition presenting a vital issue of patent law and involving no issue of fact, the Writ should be granted on the authority of *Williams Mfg. Co.* v. *United Shoe Machinery Corp.*, 316 U. S. 364, where this Court said at page 365:

"In pressing us to grant the writ, the petitioner insisted that it desired no retrial of the facts, but merely a proper application of the law to the facts found by the courts below. We granted the writ."

Respectfully submitted,

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